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SUPERIOR COURT OF THE STATE OF CALIFORNIA

COUNTY OF LOS ANGELES

ORIGINAL FILED

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LOS ANGELES
SUPERIOR COURT

THE CITY OF LONG BEACH, THE)
PEOPLE OF THE STATE OF CALIFORNIA,))
by and through Long Beach City Attorney)
ROBERT E. SHANNON, AND UNITED)
CHURCH RETIREMENT HOMES, a)
California corporation; LONG BEACH)
BRETHREN MANOR, A California non-)
profit corporation, AND ROBERT LAMONT)
ON BEHALF OF THEMSELVES AND ALL)
OTHERS SIMILARLY SITUATED)
Plaintiffs,)

vs.

SOUTHERN CALIFORNIA GAS)
COMPANY, a California Corporation; SAN)
DIEGO GAS AND ELECTRIC, a California)
Corporation; SEMPRA ENERGY, a)
California Corporation; EL PASO NATURAL)
GAS COMPANY, a Delaware Corporation;)
EL PASO CORPORATION, a Delaware)
Corporation; EL PASO TENNESSEE)
PIPELINE COMPANY, a Delaware)
Corporation; EL PASO MERCHANT)
ENERGY COMPANY, a Delaware)
Corporation; EL PASO MERCHANT)
ENERGY, L.P., a Delaware Limited)
Partnership; EL PASO MERCHANT-)
ENERGY-GAS, L.P., a Delaware Limited)
Partnership; and DOES 1-100,

Defendants.

CASE NO.:

BC247114
BC247114

COMPLAINT FOR DAMAGES BASED
ON:

- (1) DIVISION OF MARKETS IN
VIOLATION OF THE CARTWRIGHT
ACT [CAL. BUS. & PROF. CODE
SECTION 16720 *ET SEQ.*]
- (2) RESTRAINT OF TRADE IN
VIOLATION OF THE CARTWRIGHT
ACT [CAL. BUS. & PROF. CODE
SECTION 16720 *ET SEQ.*]
- (3) CONSPIRACY TO MONOPOLIZE IN
VIOLATION OF THE CARTWRIGHT
ACT [CAL. BUS. & PROF. CODE
SECTION 16720 *ET SEQ.*], AND
- (4) UNFAIR COMPETITION AND
UNLAWFUL BUSINESS PRACTICES
[CAL. BUS. & PROF. CODE
SECTION 17200 *ET SEQ.*]

PRELIMINARY STATEMENT

1. This action involves a massive conspiracy to eliminate competition in the newly deregulated energy systems that has resulted in endangering California's natural gas and electrical systems, thereby threatening California's economy. It is the largest gouging of energy consumers in American history.

2. Southern California's current "energy crisis" is not simply the result of ever-increasing demand for energy by a growing population. Rather, it is the direct result of a conspiracy among the natural gas industry's most powerful Southern California players to preserve and maintain the market dominance that they enjoyed for many years as monopolies subject to regulation. When the artificial monopoly created by regulation was disassembled, those dominant companies took prompt and illegal action to ensure that they would not lose the benefits of their market power. Their unlawful collusion has contributed significantly to the recent astronomical increases in the price of natural gas and electricity. As a result, Southern California customers have had and will have to pay billions of dollars extra for their natural gas and electric needs. This lawsuit seeks to recover damages suffered by City of Long Beach, class representatives and members of the class, and to put an end to the unlawful conspiracy.

3. The conspiracy has had a catastrophic effect on the City of Long Beach ("Long Beach") Plymouth West, Long Beach Brethren Manor, Robert Lamont and other class members who are Long Beach ratepayers. From 1924 until recently, Long Beach has sold gas to its residents and businesses at prices that were competitive with those that Southern California Gas charged its ratepayers. Recently, however, the conspiracy has increased Long Beach's cost of buying gas as much as 700 percent. Many of its residents have had to suffer cold homes in order to pay for necessary medication. Landlords of older properties that are "master metered" are threatened with foreclosure on their mortgages because they cannot raise rents to cover the huge increase in gas prices. Some residents have suffered arthritic conditions as a result of turning the

1 gas off to save on costs. The gas prices have had a rippling effect in the economy. Long Beach
2 residents have had to lay off service people such as gardeners and cleaning people because they
3 could not continue to hire them and pay for gas.

4 4. Believing that a policy of open competition rather than government regulation
5 would reduce costs to consumers, federal authorities opened certain aspects of the natural gas
6 industry to competition in the mid-1980's. The surreptitious and unlawful conspiracy exposed in
7 this action -- and the actions taken to advance it -- have frustrated these important governmental
8 policies by artificially restricting supplies of natural gas, thereby causing steep and
9 unprecedented increases in the cost of gas to Long Beach and class members who are Long
10 Beach's natural gas customers and in the cost of electricity in Southern California.

11 5. In September of 1996, top executives of Southern California Gas Company
12 ("SoCal Gas"), San Diego Gas & Electric ("SDG&E") and El Paso Natural Gas Corporation
13 ("EPNG") met at the Embassy Suites Hotel near Sky Harbor Airport in Phoenix, Arizona.
14 Fearing a new era of open competition and lower prices, these latter-day captains of industry
15 gathered secretly to hatch a conspiracy to dominate the unregulated aspects of the natural gas and
16 electricity markets. At the meeting, these three companies, who together dominate the Southern
17 California natural gas market, illegally agreed not to compete against each other in the Southern
18 California and Baja California natural gas delivery markets. They also conspired to prevent
19 other pipelines from being built that would have competed against them and would have lowered
20 natural gas prices in these markets. In sum, the conspirators sought to eliminate competition,
21 take advantage of electrical deregulation, drive up the price of natural gas, and profit from the
22 increased prices.

23 6. For many years before deregulation, SoCal Gas enjoyed monopoly status as the
24 sole distributor of natural gas in most of Southern California. SDG&E enjoyed a monopoly of
25

1 gas sales in San Diego County, but SDG&E was wholly dependent upon SoCal Gas as its sole
2 source for delivered gas.

3 7. In the early 1990's, changes in the law made it possible for pipelines located
4 outside California to deliver gas to industrial gas customers inside California who previously
5 were captive customers of the SoCal Gas and SDG&E monopolies. In 1992, Tenneco Inc.
6 ("Tenneco") completed the Kern River Pipeline, which carries natural gas from Wyoming to
7 Kern County, California. Tenneco then began planning additional new interstate projects that
8 would bypass the pipelines of SoCal Gas and SDG&E and deliver gas directly to customers in
9 the San Diego and Los Angeles areas, the Imperial Valley and the Baja Peninsula.

10 8. One of Tenneco's planned bypass pipelines was a north-south series of pipelines
11 that would transfer gas from Canada, via a new pipeline called the Altamont Pipeline, to the
12 northern end of the Kern River pipeline in Wyoming. Tenneco envisioned that low-cost
13 Canadian gas would flow through the Kern River pipeline to the Bakersfield area, where it would
14 connect with a new pipeline that would carry low-cost Canadian gas to customers in Southern
15 California and the Baja Peninsula.

16 9. Tenneco also had an alternative plan, oriented east-west, to move gas from an
17 interstate pipeline in Arizona south into Baja California and then west to the Pacific coast.
18 Tenneco planned to build extensions from the second pipeline into San Diego and the Imperial
19 Valley.

20 10. Either of these new pipelines would have given Southern California and Baja
21 California customers the benefit of direct and serious competition with SoCal Gas. The north-
22 south pipeline system would provide access to cheap Canadian gas. Had either of the pipelines
23 been completed, benefits to gas customers would include not only lower gas prices but also
24 greater assurance of sufficient supply. Today, with gas and electricity shortages omnipresent and
25 energy prices skyrocketing, the importance of such additional capacity cannot be overstated.

1 11. One of the primary objectives of the conspiracy was to guarantee through an
2 illegal agreement that these bypass projects, which threatened SoCal Gas's economic dominance,
3 were not completed.

4 12. In June 1996, an essential ingredient of the conspiracy's success was added when
5 EPNG acquired Tenneco. This placed EPNG in charge of Tenneco's proposed bypass projects,
6 and SoCal Gas and SDG&E saw the opportunity to make a deal with EPNG to eliminate them.
7 At the secret Phoenix meeting, top officers of EPNG agreed that EPNG would withdraw
8 Tenneco's Southern California and Baja California bypass projects. As reciprocity, SoCal Gas
9 would refrain from competing with EPNG on a pipeline project coveted by EPNG in
10 Samalayuca, Mexico, where SoCal Gas had a tremendous cost advantage over El Paso. One of
11 the primary objectives of the conspiracy was to guarantee through an illegal agreement that
12 SoCal Gas not compete with EPNG on the pipeline project in Samalayuca, Mexico.

13 13. In late 1996, SoCal Gas and SDG&E announced plans to merge into what is now
14 Sempra Energy. Eliminating Tenneco's competitive bypass projects was deemed essential to
15 governmental approval of the merger.

16 14. The defendants reaped the fruits of the conspiracy.

17 (a) SoCal Gas retained its market power, avoided the proposed bypass, and
18 was the sole bidder on the Baja California pipeline;

19 (b) The Altamont project, which would have delivered cheap Canadian gas to
20 Southern California, was killed; and

21 (c) The conspirators were able to exploit their market power to take advantage
22 of electric deregulation in California.

23 15. The results of the secret Phoenix meeting -- while enormously beneficial to the co-
24 conspirators -- have been extremely detrimental to Long Beach, the class members who are
25 ratepayers of Long Beach's gas utility to other purchasers of gas in Southern California and to

1 electricity generators. The transportation constraints which the conspirators created eliminated
2 competition from Canadian gas, radically drove up the price of gas, radically drove up the price
3 of electricity, and discouraged the building of new electric generation plants to serve the
4 California market. As a direct result of the parties' conspiracy, consumers have paid and will
5 continue to pay billions of dollars of additional costs for their electrical and natural gas energy,
6 and Californians face the serious threat of continuing gas shortages and blackouts because of the
7 effects of this conspiracy.

8 **THE PARTIES**

9 16. Plaintiffs the CITY OF LONG BEACH ("Long Beach"), on behalf of itself, The
10 People of the State of California ("People") Plymouth West, Long Beach Brethren Manor, and
11 Robert Lamont on behalf of themselves, and members of the class of Long Beach ratepayers,
12 hereby allege the following causes of action:

13 17. Plaintiff the People of the State of California is represented in this action by the
14 City Attorney of the City of Long Beach, acting with the consent of the District Attorney for the
15 County of Los Angeles.

16 18. Plaintiff City of Long Beach is a municipal corporation with a residential
17 population of 458,000 and an annual budget exceeding \$1,619,556,900. To service the needs of
18 its residents, the City of Long Beach owns and operates the Long Beach Airport, the Long Beach
19 Port, the Long Beach Water Treatment Plant, the Long Beach Civic Center and Convention
20 Center complexes, City Hall, 24 fire stations and satellite facilities, 39 community recreation
21 centers and sport facilities, 13 libraries and museums, more than 89 public schools, and other city
22 facilities (collectively, the "City Facilities"). All of the City Facilities use natural gas and
23 electricity in their daily operations.

24 19. Plaintiff United Church Retirement Homes of Long Beach, Inc., doing business as
25 Plymouth West ("Plymouth West"), is a California non-profit corporation operating as a

1 retirement home at 240 Chestnut Street, Long Beach, California 90802-2949. Plymouth West
2 has 196 apartment units. It is dedicated to providing affordable housing to lower income seniors
3 living on fixed incomes. Plymouth West purchases all of its gas from Long Beach's gas utility.
4 The price it pays reflects the spot market price for gas at the California/Arizona border.

5 20. Plaintiff Long Beach Brethren Manor is a California non-profit corporation
6 operating as a retirement home at 3333 Pacific Place, Long Beach, California 90806. Long
7 Beach Brethren Manor has 297 apartment units. It is dedicated to providing affordable housing
8 to lower income seniors living on fixed incomes. Long Beach Brethren Manor purchases all of
9 its gas from the Long Beach gas utility. The price it pays reflects the spot market price of gas at
10 the California/Arizona border.

11 21. Robert Lamont is a retired senior who resides on Blackthorne Street, Long Beach,
12 California 90808. He purchases all of his gas from the Long Beach gas utility. The price he
13 pays reflects the spot market price of gas at the California/Arizona border.

14 22. Plaintiffs are informed, believe and therefore allege that defendant SoCal Gas was
15 and is a corporation duly formed under the laws of the State of California, is a regulated utility
16 with monopoly power over natural gas transportation facilities in Southern California, and is
17 authorized to and does carry on business in the County of Los Angeles, State of California.
18 Defendant Sempra Energy acquired the parent company of SoCal Gas in approximately June
19 1998.

20 23. Plaintiffs are informed, believe and therefore allege that defendant San Diego Gas
21 and Electric ("SDG&E") was and is a corporation duly formed under the laws of the State of
22 California, and is authorized to and does carry on business in the Counties of Orange and San
23 Diego, State of California. Defendant Sempra Energy acquired the parent company of SDG&E
24 in approximately June 1998.

1 24. Plaintiffs are informed, believe and therefore allege that defendant Sempra
2 Energy (“Sempra”) was and is at all relevant times a corporation duly formed under the laws of
3 the State of California, and is authorized to and does carry on business in the County of Los
4 Angeles, California. Sempra is a utility holding company and many of the activities of its
5 subsidiaries are subject to regulation by the California Public Utility Commission (“CPUC”)
6 and/or the Federal Energy Regulatory Commission (“FERC”). Sempra also engages in a variety
7 of unregulated activities. Since approximately June, 1998, Sempra has held the parent
8 companies of SoCal Gas, which serves the Southern California geographic market, including
9 greater Los Angeles, and of SDG&E, which serves the San Diego geographic market. These
10 parent companies are Pacific Enterprises (“PE”) and Enova Corporation (“Enova”), respectively.
11 Other PE subsidiaries (and SoCal Gas affiliates) relevant to the claims asserted in the complaint
12 include Pacific Interstate Transmission Co. (“PITCO”), Pacific Interstate Offshore Co. (“PIOC”),
13 and Pacific Enterprise International (“PEI”).

14 25. Plaintiffs are informed, believe and therefore allege that defendant El Paso
15 Natural Gas Company (“EPNG”) at all relevant times was and is a corporation duly formed
16 under the laws of the State of Delaware and has conducted substantial business in the State of
17 California. EPNG is a natural gas pipeline company regulated by the FERC.

18 26. Plaintiffs are informed, believe and therefore allege that defendant El Paso
19 Corporation (“EP”) was and is a corporation duly formed under the laws of the State of Delaware
20 and doing business in the State of California. During the period relevant to this complaint, EP
21 was organized to become the ultimate parent company of EPNG. EP is also the parent company
22 of defendant El Paso Tennessee Pipeline Co., (“EP Tennessee”), formerly known as Tenneco, or
23 Tennessee Gas Pipeline Co., a Delaware corporation, whose activities were also subject to
24 regulation by the FERC. EP is also the parent company of defendant El Paso Merchant Energy
25 Company, a Delaware corporation and is the parent company of defendant El Paso Merchant

1 Energy-Gas L.P., a Delaware limited partnership, and is affiliated with El Paso Energy-Gas,
2 L.P., a Delaware limited partnership, all three of which have at all times conducted substantial
3 business in the State of California. These three companies are referred to as “El Paso Merchant”
4 and are respectively subsidiaries or affiliates of defendant EPNG. The defendants El Paso
5 entities are referred to collectively herein as “El Paso.”

6 27. The true names, identities and/or capacities of the defendants sued herein as Does
7 1 through 100 inclusive are unknown to Plaintiffs, who therefore sues these defendants by such
8 fictitious names. Plaintiffs will seek leave of this Court to amend this complaint to allege their
9 true names, identities and/or capacities when ascertained. Plaintiffs are informed, believe and
10 therefore allege that each of the fictitiously named defendants is responsible in some manner for
11 the unlawful conduct alleged and its effects, and that their acts, conduct and omissions directly
12 caused injuries to Plaintiffs.

13 28. Plaintiffs are informed, believe and therefore allege that defendants and each of
14 them were and are the agents and employees of each and every other defendant and acting as
15 alleged are and were acting within the course and scope of such agency and employment.

16 **JURISDICTION AND VENUE**

17 29. Defendants, and each of them, are subject to the jurisdiction of this Court by
18 virtue of their business dealings and transactions in California, by causing injuries within the
19 City of Long Beach through their acts and omissions, and by their violation of the Cartwright
20 Act, Business & Professions Code, Sections 16720 *et seq.*, and the Unfair Competition Act,
21 Business & Professions Code, Sections 17200, *et seq.*, including 17204. Although the exact
22 amount of damages and restitution owed to Plaintiffs cannot be determined precisely without
23 access to documents and other information possessed by defendants, the amounts sought to be
24 recovered by Plaintiffs are well in excess of the jurisdictional minimum of this Court and are
25 believed to run into the millions of dollars.

30. Venue is proper in this Court pursuant to California Code of Civil Procedure, Sections 395 and 395.5 and California Business & Professionals Code, Section 16750, in that liability arises in the County of Los Angeles and/or the named defendants reside and/or are found, and/or their agents reside and/or are found and/or where service may be obtained in the County of Los Angeles.

CLASS ALLEGATIONS

31. Plymouth West, Long Beach Brethren Manor and Robert Lamont are customers of Long Beach's gas utility. They purchase gas from Long Beach's gas utility at a price that reflects the spot price of gas at the California/Arizona border.

32. Plymouth West, Long Beach Brethren Manor and Robert Lamont bring this action individually, on their own behalf, and as class representatives on behalf of all customers of Long Beach's gas utility, including, without limitation, residents and business customers.

33. Plymouth West, Long Beach Brethren Manor and Robert Lamont and the members of the plaintiff class -- who purchase and use significant volumes of natural gas -- have been damaged by drastic increases in the cost of natural gas that have resulted from the illicit agreement described in this complaint.

34. From its inception, the unlawful conduct of Sempra, SoCal Gas, SDG&E, El Paso, and their subsidiaries, affiliates and predecessors has taken place in the State of California. A class of customers of Long Beach's gas utility is appropriate because the actions that damaged the class members occurred in Los Angeles County and throughout Southern California, and involved conduct of California-based corporations in interstate markets intended to impact purchasers of gas, *inter alia*, in Long Beach.

35. The claims of Plymouth West, Long Beach Brethren Manor and Robert Lamont are typical of the claims of the members of the class, since they and all members of the class

1 were purchasers of natural gas from the Long Beach gas utility and are exposed to overcharges
2 caused by defendants in the gas commodity markets.

3 36. Plymouth West, Long Beach Brethren Manor and Robert Lamont will fairly and
4 adequately protect the interests of the members of the class and have retained experienced
5 counsel competent to prosecute this class action litigation.

6 37. A class action is superior to other available methods for the fair and efficient
7 adjudication of this controversy. Because the number of individual class members is large --
8 there are approximately 140,000 Long Beach residences and over 6,000 business purchasing gas
9 from the Long Beach gas utility -- and because the damages suffered by individual class
10 members may be relatively small, although by no means inconsequential, the expense and
11 burden of individual litigation make it impossible for the class members individually to redress
12 the wrongs done to them by these behemoth corporate defendants. In addition, if separate
13 actions were to be brought individually by each member of the class, the resulting multiplicity of
14 lawsuits would cause undue hardship and burden to the Court as well as to the litigants.
15 Prosecution of separate, individual actions would also create a risk of inconsistent rulings. Thus,
16 absent a class action, it is highly unlikely that defendants could be brought to account for their
17 wrongdoing. Plaintiffs anticipate no difficulty in the management of this case as a class action.

18 38. Common questions of the law and fact exist as to all members of the class and
19 predominate over any questions affecting individual members of the class. The most significant
20 common questions include the following:

21 (a) whether defendants unlawfully combined and conspired to restrict access
22 to ample sources of low-cost natural gas by the customers of the Long Beach gas utility by
23 preventing bypass projects that would have created alternatives to SoCal Gas's monopolistic
24 intrastate pipeline, thereby preserving SoCal Gas's market dominance in natural gas
25 transportation throughout Southern California and in newly unregulated businesses, artificially

1 inflating the cost of electricity, and creating barriers to competitive entry by other potential
2 competitors in markets open to competition;

3 (b) whether defendants combined and conspired to preserve SoCal Gas's
4 monopoly in businesses now open to competition by, among other things, boycotting natural gas
5 pipeline bypass projects that would have provided an alternative to SoCal Gas;

6 (c) whether defendants unlawfully combined and conspired to form an
7 unlawful scheme not to compete with one another on certain natural gas pipeline projects and in
8 other matters that would have benefited customers of the Long Beach gas utility, and, in
9 furtherance of their unlawful conspiracy, conspired to accept reciprocal benefits and refrained
10 from acting in their independent economic interests in a manner that would have benefited class
11 members, and;

12 (d) whether defendants unlawfully combined and conspired to allocate
13 markets; and

14 (e) whether defendants' unlawful combination and conspiracy caused drastic
15 escalation of the price of natural gas, undermining the goals and objectives of governmental
16 deregulation and forcing members of the plaintiff class to pay supracompetitive prices.

17 39. Although the exact number of class members is unknown to Plymouth West,
18 Long Beach Brethren Manor and Robert Lamont at this time, it will be ascertained through
19 appropriate discovery. Plymouth West, Long Beach Brethren Manor and Robert Lamont believe
20 that the class collectively numbers over 140,000 Long Beach residents and over 6,000
21 businesses. Consequently, joinder of all members of the class in a single action is impracticable,
22 and disposition of their claims through the procedure of a class action will benefit the parties and
23 the Court. Members of the class may be notified of the pendency of this action via publication,
24 using notice provisions similar to those customarily used in consumer class actions, or by
25

1 ordinary United States Mail since the identities of the class members are readily ascertainable
2 through discovery from the files of the Long Beach gas utility.

3 **THE RELEVANT MARKETS**

4 40. The relevant product market is natural gas.

5 41. The relevant geographic market is Southern California, including, but not limited
6 to, Long Beach, Los Angeles and other municipalities.

7 **FACTUAL BACKGROUND**

8 **PRODUCTION AND TRANSPORTATION OF GAS TO AND WITHIN** 9 **CALIFORNIA**

10 42. Most of the gas consumed in California is produced outside California. The gas
11 produced outside California is transported by gas pipeline companies to California. Until the
12 mid-1980's, virtually all interstate sales of natural gas to California occurred at California's
13 borders with Arizona or Oregon. The sellers were three interstate pipeline companies: El Paso
14 Natural Gas Co. and Transwestern Gas Pipeline Co. at the Arizona/California border, and Pacific
15 Gas Transmission Co., a subsidiary of Pacific Gas and Electric, at the Oregon border.

16 43. Inside California, until the mid-1980's, virtually all transportation and sale of gas
17 was handled by three local distribution companies: SoCal Gas, SDG&E, and Pacific Gas &
18 Electric. These intrastate companies no longer have a complete sales monopoly within
19 California, but still dominate the transmission and distribution of natural gas within their service
20 areas.

21 44. Before the 1980's, both the interstate pipelines and the three California local
22 distribution companies were regarded as natural monopolies and were extensively regulated.
23 The FERC regulated interstate pipelines and "wholesale" interstate gas markets. The CPUC had
24 sole regulatory authority over intrastate transmission and local distribution and sale of natural
25 gas by the California utilities. Under these regulatory regimes, each company sold natural gas to

1 its respective customers under tariffs approved by the appropriate regulatory authorities and the
2 utilities were insulated from competition within their own service territories.

3 45. In the early 1980's, the FERC began deregulating the interstate natural gas
4 industry, issuing restructuring orders that, taken together, comprised an integrated effort to foster
5 competition in the natural gas industry.

6 46. One of the FERC's restructuring orders -- Order 636 -- required pipeline
7 companies to "unbundle" their natural gas services, eliminating their former "merchant" role as
8 purchasers or sellers of gas and limiting their business to transportation or "carriage" services for
9 third party shippers. Thus, Order 636 barred pipeline companies such as EPNG from engaging
10 in the purchase or sale of natural gas.

11 47. Even after deregulation, FERC considered the pipeline transportation function to
12 retain its natural monopoly characteristics. For this reason, FERC continued to regulate pipeline
13 companies. The "merchant" side of the interstate natural gas industry, however, was and is
14 largely free from regulation.

15 **THE DEFENDANTS' DOMINANT ROLE IN THE MARKETPLACE**

16 48. SoCal Gas dominates natural gas distribution in Southern California except in the
17 San Diego area. In addition to its distribution business, SoCal Gas has an intrastate "Hinshaw
18 pipeline" exempt from federal natural gas regulation, and controls all gas transmission within
19 Southern California. In other words, SoCal Gas can still sell and transport natural gas to
20 Southern California consumers.

21 49. SDG&E, the gas and electric utility for the San Diego area, had been a captive
22 customer of SoCal Gas until they merged. SoCal Gas is SDG&E's sole source of natural gas
23 and, after deregulation, its sole source for natural gas transportation service. SDG&E was viewed
24 by competing pipeline developers as a fertile natural gas market and a significant potential
25 anchor for a new pipeline to bypass the costly SoCal Gas system.

1 50. Providing interstate pipeline service to California since 1945, EPNG owns the
2 largest pipeline system serving California. Its pipeline system connects Southern California to
3 major gas producing basins in Texas, New Mexico and Colorado. The California market has
4 traditionally accounted for 80 percent of EPNG's business. SoCal Gas was EPNG's largest
5 single customer until 1997, and SoCal Gas still holds and utilizes approximately one-third of
6 EPNG's capacity for California. Until the 1990's, SoCal Gas was the sole holder of "firm"
7 capacity on a pipeline operated by El Paso's smaller direct competitor, Transwestern Pipeline
8 Co. ("Transwestern"), and remains Transwestern's largest "firm" capacity holder. "Firm"
9 capacity is non-interruptible capacity that guarantees a shipper priority access to a given pipeline.

10 **THE CITY OF LONG BEACH'S GAS OPERATIONS**

11 51. Through its gas utility, Long Beach distributes and sells gas to over 99 percent of
12 Long Beach's residents and businesses. The gas utility function of Long Beach is part of the
13 Department of Public Utilities, more popularly known as Long Beach Energy, which is created
14 by Long Beach's City Charter. In its capacity as a distributor and seller of gas, Long Beach has
15 been serving its residents and businesses since 1924. Long Beach presently serves approximately
16 140,000 Long Beach residences and 6,000 Long Beach businesses.

17 52. Long Beach purchases approximately one third of its gas supplies from the State
18 of California. Under the directive of Chapter 29, Section 6, Statutes of 1956, 1st Extraordinary
19 Session, Long Beach is required to purchase all of the State's gas production from the
20 Wilmington Oil Field.

21 53. From 1924 until the mid-1950's, Long Beach purchased all of its gas supplies
22 from local sources. In the mid-1950's, Long Beach had to supplement its local supplies with
23 supplies received from SoCal Gas due to the growing demand resulting from Long Beach's
24 population growth. From the mid-1950's until the mid-1980's, SoCal Gas sold to Long Beach
25 approximately two thirds of Long Beach's requirements. Since 1991, pursuant to an agreement

1 between Long Beach and the State, the price that Long Beach pays for the State's gas is based on
2 the price Long Beach pays for the rest of its gas supplies.

3 54. During the mid-1980's, the CPUC undertook initiatives to promote competition
4 through open access policies for all intrastate pipelines. For the first time, large volume
5 customers, including industrial customers and wholesale customers such as Long Beach, called
6 "non-core" customers, were able to arrange for their own gas supplies and transport the
7 alternative gas supplies through the pipelines of utilities such as SoCal Gas.

8 55. SoCal Gas responded to those initiatives by dividing its customers into two
9 classes: core (residential and small commercial customers) and non-core (large industrial,
10 electric utilities and wholesale gas utilities such as Long Beach). SoCal Gas sold bundled gas
11 and transportation to its core customers at prices listed in its tariffs filed with the CPUC. For its
12 non-core customers, SoCal Gas published at the end of every month the price it was willing to
13 sell gas for the next month. Because the spot price of gas at the California/Arizona border was
14 frequently cheaper than the SoCal Gas's non-core customer price, Long Beach Gas purchased 75
15 percent of its gas in the California/Arizona border spot market and transported that gas to Long
16 Beach over SoCal Gas's pipelines.

17 56. In 1991, the situation changed dramatically. SoCal Gas stopped selling gas to its
18 non-core customers on a monthly basis. Non-core customers such as Long Beach were forced to
19 choose between purchasing all of their gas supplies from private marketers/brokers at the spot
20 prices of gas at the California/Arizona border or from SoCal Gas under long-term contracts that
21 were higher than the spot prices. Because SoCal Gas's long term contract prices have not been
22 competitive, Long Beach has purchased gas exclusively from other sources from 1991 to the
23 present.

24 57. The Arizona/California spot border price had historically reflected the price of gas
25 in the Southwestern basins where it is produced plus the pipeline transportation cost to transport

1 the gas from the production areas to the California/Arizona border. The difference in the price of
2 gas in the Southwestern basins where it is produced and the price of gas at the California/Arizona
3 border is called the “basis spread.” Because of defendant’s conspirational acts and practices, the
4 basis spread between the price of gas in the producing area and the price at the
5 California/Arizona border has escalated enormously and now far exceeds the cost of transporting
6 the gas from the producing areas to the California/Arizona border. Whereas the normal average
7 cost of transportation is less than \$0.50 per decatherm, the basis spread has at times exceeded
8 \$40.00, an over 8,000 percent difference. If the market had been behaving competitively, the
9 basis spread should equal or nearly equal the cost of transportation.

10 **BACKGROUND OF THE CONSPIRACY**

11 58. After federal deregulation commenced in the interstate market in 1985, SoCal Gas
12 continued to exercise significant market power in that market. This power was perpetuated by
13 virtue of its status (1) as a principal holder of firm pipeline capacity on the El Paso and
14 Transwestern systems and (2) as the principal purchaser of gas for the enormous Southern
15 California market.

16 59. SoCal Gas obtained this market power in part because, in the intrastate market,
17 the CPUC did not require the “unbundling” of the commodity or “merchant” side of the gas
18 business from the transportation side as had FERC in the interstate market, and, in part, because
19 of the firm transportation rights it held in the interstate market. In the period from 1985 until
20 1991, SoCal Gas was permitted by FERC policy to exercise firm transportation rights for up to
21 1.75 billion cubic feet per day (Bcf/d) of capacity on the El Paso system – approximately one
22 half of the system’s total capacity. During the same period, SoCal Gas held firm transportation
23 rights to all of Transwestern’s capacity of 750 million cubic feet per day (MMcf/d). Such firm
24 rights gave SoCal Gas priority shipping rights and, because of such rights, tremendous leverage
25 over producers and other sellers of gas.

1 60. Inside California, however, SoCal Gas continued to sell and transport gas on a
2 “bundled” basis to its captive customers. SoCal Gas’s dominant position in its intrastate sales
3 was enhanced by its preemptive interstate capacity holdings.

4 61. In the late 1980’s, the former Tenneco, Inc. (now defendant El Paso Tennessee
5 Pipeline Co.) and EPNG aggressively began to develop new interstate pipelines which had the
6 capacity to bypass part of the SoCal Gas system. At the time, Tenneco was the preeminent
7 developer of new pipelines in the United States. Tenneco successfully built the Kern River
8 Pipeline to serve the growing industrial market for steam generation in Kern County, California,
9 which is used to produce crude oil, and to connect Rocky Mountain producing basins and their
10 cheaper natural gas with this industrial market.

11 62. The Kern River Pipeline went into service in 1992. Kern River Pipeline was the
12 first new pipeline to serve California since the early 1960’s. More significantly, it was an “open
13 access” interstate pipeline not subject to regulation by the CPUC. Thus, its customers were able
14 to bypass the SoCal Gas system and purchase low cost gas in the deregulated interstate market
15 and in new supply basins.

16 63. Before its acquisition by El Paso in 1996, Tenneco had been engaged in
17 significant development efforts to expand the Kern River Pipeline. Under the terms of Kern
18 River Pipeline’s tariffs, its shippers would share in the benefits of such expansion through the
19 lowering of unit transportation costs, thereby making gas shipped through Kern River Pipeline
20 less costly than gas on the SoCal Gas system.

21 64. Tenneco’s expansion plan involved further bypass of the SoCal Gas system
22 through direct service to customers in Southern California such as Long Beach and development
23 of the Baja California Pipeline Project to serve the emerging gas market in the Baja California
24 Peninsula.
25

1 65. In the early 1990's, Tenneco also began development of its Altamont Pipeline
2 Project, which was intended to transport low-cost gas from Canada and isolated areas of
3 Montana to the Kern River Pipeline and, through the Kern River Pipeline, to Southern California
4 and Baja California. As part of this project, Tenneco and its partners were also seeking to
5 develop a "Western Market Center" near the upper terminus of the Kern River Pipeline. Had
6 Altamont and the Market Center not been frustrated by the conspiracy discussed in this action,
7 these facilities would have been completed and would have provided shippers and consumers of
8 natural gas with competitive alternatives to SoCal Gas, at substantial cost savings and in plentiful
9 quantities.

10 66. The successful bypass of the SoCal Gas system by the Kern River Pipeline -- and
11 the competitive threat of its expansion into and through the SoCal Gas service area to Mexico --
12 were material factors leading SoCal Gas to initiate the unlawful, anticompetitive course of
13 conduct to preserve its market dominance. Tenneco's expansion plans for Altamont and Kern
14 threatened the market power that SoCal Gas has acquired in both the interstate and intrastate
15 transportation markets and in the interstate commodity markets. More importantly, these new
16 pipeline projects offered the prospect of readily available and cheaper natural gas for Southern
17 California non-core customers. But for the collusive actions of all the defendants in a conspiracy
18 to destroy competition and gouge California consumers, these pipelines would have been built,
19 resulting in readily available and cheaper natural gas.

20 **TENNECO AND SOCAL GAS COMPETE FOR THE SAN DIEGO AND BAJA**
21 **CALIFORNIA MARKETS**

22 67. California has long been a net importer of electric power from out-of-state
23 sources. The growing Baja California region was recognized by power developers to be well
24 suited for the development of new generation capacity that could be financed by power sales in
25

1 the California market. This opportunity became more attractive when California passed its
2 electric restructuring legislation in August 1996 described below in Paragraphs 85 – 87.

3 68. Before 1998, Baja California had no natural gas pipeline infrastructure and no
4 indigenous natural gas production or reserves to permit the development of natural gas fueled
5 electric projects. Therefore, new pipeline facilities to link Baja California with transportation
6 facilities in the United States were required to exploit these potentially lucrative opportunities.

7 69. Because of its large daily gas load and proximity to the Baja California market,
8 SDG&E was an attractive potential anchor customer for a new pipeline to bypass the SoCal Gas
9 system. SDG&E was traditionally a geographically isolated “captive” customer of the SoCal
10 Gas system. SDG&E had no natural gas pipeline connection with Mexico.

11 70. Tenneco’s extensive development efforts with regard to SDG&E and Baja
12 California included options for a north-south pipeline that would connect the Kern River Pipeline
13 to the California/Baja California border near San Diego or an east west route from Yuma,
14 Arizona to the Pacific Coast of Baja California. Tenneco’s development plans also included
15 pipeline extensions into the Los Angeles Basin -- the heart of SoCal Gas’s service monopoly.

16 71. Both these planned development projects posed major competitive threats to
17 SoCal Gas’s monopoly. First, either pipeline route would have provided competitive service at
18 low cost to SDG&E and its customers. At a minimum, this competition would have forced
19 SoCal Gas to discount its transportation rates to San Diego to meet such competition. Moreover,
20 displacement of transportation volumes for the San Diego area would have increased competitive
21 pressure on SoCal Gas to reduce its cost of service to all customers in Southern California.

22 72. Second, such a bypass pipeline would have prevented Baja California customers
23 from being a captive market of SoCal Gas and would have afforded them an attractive
24 competitive alternative to the expansion of the SoCal Gas monopoly into Baja California.
25

1 73. Third, a bypass pipeline also would have reduced or eliminated opportunities for
2 SoCal Gas and its acquirer, Sempra, to exploit and leverage its transportation monopoly to gain
3 lucrative opportunities to control natural gas commodity sales to consumers in San Diego and in
4 the Mexican market.

5 74. Fourth, Southern California consumers, including Long Beach, Plymouth West,
6 Long Beach Brethren Manor, Robert Lamont, and other customers of the Long Beach gas utility,
7 would have enjoyed new price competition with respect to delivered gas.

8 75. SoCal Gas responded to these perceived threats to its monopoly by illegally
9 inducing SDG&E to rebuff the bypass proposals made to SDG&E by Tenneco and by El Paso.
10 In the early 1990's, SoCal Gas and SDG&E formed a joint venture called "Project Vecinos" to
11 build their own pipeline to the Baja Peninsula. In violation of California law and public policy
12 against unlawful restraints of trade, SDG&E secretly agreed with SoCal Gas that it would refrain
13 from doing business with competitors of SoCal Gas. This plan would preserve SoCal Gas's
14 monopoly over SDG&E and its ratepayers and would extend the monopoly of SoCal Gas into
15 Baja California. This plan required that gas from outside California be delivered through SoCal
16 Gas's expensive intrastate system, imposing unnecessary costs on customers in Southern
17 California and Baja California.

18 76. Upon information and belief, SoCal Gas and SDG&E, by affirmative acts of fraud
19 and concealment, prevented the fact of and extent of their conspiracy from being revealed to the
20 public, FERC, and the CPUC. Affirmative acts of concealment included, without limitation, a
21 certain "Memorandum of Understanding" that SDG&E entered into with the City of San Diego
22 in which SDG&E pretended to agree to do business with new pipelines that would provide
23 competitive bypass of the SoCal Gas system. In fact, SDG&E had no intention whatsoever of
24 promoting new, competitive pipelines and its statements to the public were fraudulent and were
25 made solely to conceal the secret agreement with SoCal Gas.

1 **EL PASO AND SOCAL GAS COMPETE**

2 77. Meanwhile, in the early 1990's, El Paso also began significant development
3 efforts to expand its pipeline into Mexico to exploit gas demand from emerging electric
4 generation markets in Mexico. El Paso's priority was a power project near its headquarters in El
5 Paso, Texas called the Samalayuca II Power Plant. El Paso had begun the extensive
6 development process for the Samalayuca II Power Plant in or before 1990.

7 78. The Samalayuca II Power Plant required construction of a pipeline. The pipeline
8 took on an additional strategic importance for El Paso after El Paso's announcement of its
9 proposed acquisition of Tenneco in mid-1996. El Paso touted the Tenneco deal to Wall Street as
10 the creation of a "Boston to Bakersfield" pipeline. The Samalayuca Pipeline was an essential
11 link in this transcontinental pipeline because El Paso's West Texas pipeline and Tenneco's main
12 pipeline to the East would be connected by an existing Mexican pipeline from the Gulf Coast
13 border of Texas through Mexico parallel to the Texas border.

14 79. El Paso's plans for a transcontinental pipeline and for a return on its investment in
15 the Samalayuca II Power Plant and Samalayuca Pipeline were threatened by SoCal Gas's
16 announcement of its intention to compete with El Paso for the Samalayuca Pipeline business.
17 Acting through an interstate pipeline affiliate, Pacific Interstate Offshore Corporation ("PIOC"),
18 SoCal Gas applied to the FERC for a border crossing permit at the same border point in West
19 Texas that El Paso intended to use.

20 80. SoCal Gas's project had enormous cost advantages over El Paso's because SoCal
21 Gas owned excess transportation capacity on the El Paso system while El Paso, under applicable
22 FERC regulations and the terms of its FERC application, would be required to spend more than
23 \$40 million to create the necessary capacity. SoCal Gas, by contrast, could simply assign excess
24 capacity to its affiliate or the gas purchaser in Mexico at little or no cost.

1 81. On June 19, 1996, El Paso announced that it had agreed to acquire Tenneco's
2 energy businesses through a merger agreement scheduled to close in December 1996. Among
3 the assets that El Paso would acquire from Tenneco were a number of projects that were intended
4 to compete with or were capable of competing with SoCal Gas in the Southern California market
5 and in interstate and foreign markets contiguous to Southern California, including Baja
6 California. Tenneco had already sunk millions of dollars into these development projects. Upon
7 information and belief, El Paso assumed control over these assets and projects within a short
8 period of time after the merger agreement was signed and well before the final approval and
9 closing of the merger in late 1996.

10 82. On August 1, 1996, Mexico opened the pipeline phase of the Samalayuca II
11 project for public bidding. The specifications contemplated the construction of a single pipeline
12 from El Paso's main line in West Texas to the plant along the route that both El Paso and SoCal
13 had been planning. The bid specifications also included a provision requiring that any qualified
14 bidder have, at the time of bidding, a "Presidential Permit" from the United States permitting the
15 bidder to construct and operate border-crossing facilities. The practical effect of this provision
16 was to limit the bidding to El Paso and SoCal Gas, the only companies holding such permits.

17 83. At the time the Samalayuca Pipeline bidding was opened, Mexico had also
18 solicited "expressions of interest" from electric power plant developers for a new gas fueled
19 electric plant at Rosarito in Baja California, a short distance from San Diego. Tenneco had
20 participated in this process and intended to present proposals both for the power plant and for a
21 pipeline to supply the plant as of the time that El Paso gained control over Tenneco.

22 84. Thus, as of the August-September 1996 time frame, SoCal Gas and SDG&E were
23 engaged in actual or potential competition with El Paso and its newly acquired affiliate, Tenneco,
24 for markets in Southern California, Baja California and North Central Mexico.
25

1 **CALIFORNIA ELECTRIC INDUSTRY RESTRUCTURING**

2 85. In August 1996, the California Legislature passed legislation to restructure
3 California's electric industry. Under this legislation, the principal electric utility of Southern
4 California, Southern California Edison ("SCE"), was required to spin off 50 percent of its
5 electric power generation plants to independent companies that would compete to sell power in a
6 deregulated wholesale electric power market mandated by the reform legislation.

7 86. SCE's gas-fueled electric plants accounted for 18 percent of the total throughput
8 on the SoCal Gas system in the time frame before the electric restructuring mandate passed.
9 This meant ownership and management of this crucial sector of SoCal Gas's customer base
10 would pass from a single regulated utility to independent, unregulated companies that would be
11 more responsive to market incentives, including lowering costs by bypassing SoCal Gas.

12 87. The principal potential bypass competitor with this capability had been Tenneco.
13 As of 1996, Tenneco had successfully cleared all regulatory barriers and had secured the
14 necessary permits to begin construction of its Altamont Pipeline Project to connect the upper end
15 of the Kern River Pipeline system to low cost gas sources in Canada and Montana. Tenneco was
16 also planning its Baja California Project and had specific plans to build extensions to the SCE
17 generation plants that would be deregulated. The El Paso-Tenneco merger placed these bypass
18 projects and opportunities in the control of El Paso, giving El Paso new leverage over SoCal Gas
19 and posed the greatest competitive threat ever to SoCal Gas's historic monopoly in Southern
20 California.

21 **SOCAL GAS, SDG&E, AND EL PASO MEET AND CONSPIRE**

22 88. The new era of genuine competition for natural gas customers in Southern
23 California -- and of more readily available and cheaper natural gas -- never happened. In
24 September 1996, SoCal Gas, SDG&E and the El Paso parties conspired to eliminate any such
25 competition. Defendants contacted each other for the purpose of setting up a meeting to arrive at

1 a “deal” to refrain from direct competition, to allocate between themselves the markets that were
2 the subject of their competition, and to preserve the parties’ dominance in their respective
3 markets. The illicit agreement was understood to be a conspiracy.

4 89. On or about September 25, 1996, the “top brass” of SoCal Gas, SDG&E, and El
5 Paso met secretly at an Embassy Suites Hotel in Phoenix, Arizona. The Phoenix meeting was
6 attended by the senior management of the conspirators, and included, among others, Warren
7 Mitchell, the president of SoCal Gas, Ed Guiles, then the executive vice president of SDG&E,
8 Richard Baish, the president of EPNG, and other officers of El Paso. These high-ranking
9 individuals had sufficient authority to bind their respective companies to any agreement made at
10 the meeting.

11 90. Plaintiffs are informed, believe and therefore allege that the Phoenix meeting was
12 only one of a number of continuing surreptitious meetings and communications in which the
13 conspiracy was planned and carried out.

14 91. In furtherance of their anticompetitive aims, SoCal Gas prepared a written
15 “agenda” for the Phoenix meeting which it transmitted to El Paso and SDG&E. A true and
16 correct copy of that written agenda is attached hereto as Exhibit “A.” The agenda listed the four
17 areas of discussion as: (a) joint venture for Samalayuca Pipeline service; (b) an “alliance” for gas
18 distribution in Northern Mexico generally; (c) “realignment” with PEI of Tenneco assets; and (d)
19 opportunities resulting from electric industry restructuring.

20 92. Adhering to the SoCal Gas agenda, the attendees at the Phoenix meeting
21 discussed means of ending illegally the competition among the parties, including (a) the
22 Samalayuca II pipeline project, which had been opened for bidding on August 1, 1996; (b)
23 supplying gas and pipeline transportation to Baja California; and (c) the Altamont Pipeline
24 Project, which was capable of bringing gas from low cost Canadian supply basins to Southern
25 California and Baja California. The co-conspirators also made plans to leverage their

1 stranglehold on Southern California's natural gas industry to gain supracompetitive profits in
2 California's restructured electrical industry.

3 93. Plaintiffs are informed, believe and therefore allege that the Phoenix meeting
4 resulted in or was part of the formation and/or performance of an illegal agreement among SoCal
5 Gas, SDG&E and El Paso in which SoCal Gas, SDG&E and El Paso reciprocally agreed not to
6 compete with one another, not to interfere with one another's economic interests, and to kill off
7 bypass pipelines that would threaten the dominance of SoCal Gas in Southern California.

8 **AGENDA ITEMS (a) AND (b); SAMALAYUCA AND BAJA CALIFORNIA**
9 **PIPELINE PROJECTS**

10 94. Plaintiffs are informed, believe and therefore allege that the Phoenix meeting
11 resulted in an illegal agreement in restraint of trade, in which, among other things, SoCal Gas
12 and SDG&E agreed to withdraw from competition with El Paso with respect to the Samalayuca
13 Pipeline project and El Paso agreed to withdraw its own and Tenneco's competition with SoCal
14 Gas to supply gas and pipeline transportation to markets in Baja California, leaving SoCal Gas as
15 the dominant gas company in Southern California. This self-serving agreement ended Tenneco's
16 competition to build a pipeline based in Baja California. Plaintiffs are informed, believe and
17 therefore allege that such a pipeline could have been completed well before the current gas and
18 electric crisis and would have substantially benefited Long Beach, Plymouth West, Long Beach
19 Brethren Manor and Robert Lamont and other class members who are customers of the Long
20 Beach gas utility.

21 **AGNEDA ITEM (c): TENNECO ASSET REALIGNMENT**

22 95. Plaintiffs are informed, believe and based the reon allege that the reference to
23 "Tenneco asset realignment with PEI" in the agenda for the Phoenix meeting refers to
24 elimination of Tenneco's Baja California and Altamont projects and the Western Market Center.
25 Significantly "PEI" was an affiliate of SoCal Gas. Elimination of the Altamont project ended

1 much of the substantial cost advantage that would have assisted the Kern River Pipeline in
2 transporting lower-cost Canadian gas to Southern California electric generators, Long Beach,
3 Long Beach's ratepayers and other consumers via the Tenneco bypass projects.

4 96. Tenneco's elimination of Altamont pursuant to El Paso's instructions -- and its
5 abandonment of its Baja California project in exchange for exclusive rights to Samalayuca for El
6 Paso -- was done pursuant to an unlawful agreement by El Paso and SoCal Gas to perpetuate the
7 artificial geographic isolation of the Southern California gas market and preserve Southern
8 California's historic dependence on the gas producing basins in the southwestern United States.
9 This agreement eliminated potential price competition and allowed El Paso and SoCal Gas to
10 retain their unchallenged market dominance.

11 97. At the Phoenix meeting, the allocation and division of various California markets
12 was also discussed. EPNG and SoCal Gas were designated as "Team 1" along with Southern
13 California electric generators and "Southwest gas producers." PG&E and PGT were designated
14 as "Team 2" along with Northern California electric generators and Canadian gas producers.
15 Upon information and belief, this terminology reflected the parties' awareness of, and intention
16 to maintain, the artificial geographic isolation of the Southern California gas market, and their
17 mutual intention to preserve and extend the dependency of Southern California consumers on the
18 Southwestern US supply basins over which the parties exercised market power.

19 98. Under this allocation arrangement, EPNG and SoCal Gas agreed to boycott and
20 exclude from the Southern California marketplace new, cheaper gas from Canadian fields, which
21 was left to Team 2. The result was that low cost, plentiful Canadian gas would be available only
22 in significant quantities to Northern California generators and consumers, while SoCal Gas's
23 distribution of gas from Southwestern producers at much higher costs was insulated from
24 competition from Canadian and upper Montana gas sources, thereby resulting in higher gas
25 prices for Long Beach, Plymouth West, Long Beach Brethren Manor and Robert Lamont and

1 other class members who are customers of the Long Beach gas utility, and other customers of the
2 Sempra parties.

3 **AGENDA ITEM (d): OPPORTUNITIES FROM RESTRUCTURING OF THE**
4 **ELECTRIC INDUSTRY IN CALIFORNIA**

5 99. The co-conspirators at the Phoenix meeting also discussed “Opportunities
6 Resulting from Electric Industry Restructuring,” i.e., from the California electric deregulation
7 legislation passed a month earlier. At the Phoenix meeting, SoCal Gas and EPNG discussed a
8 long term plan to “link up supply, transportation, generation and sale of electricity” and to
9 “think/plan position now to be ready when the opportunity comes.” Handwritten notes were
10 made at the meeting by Al Clark, Executive Vice President of EPNG, a true and correct copy of
11 the handwritten notes is attached hereto as Exhibit “B.” Since 1996, El Paso has been on a
12 shopping spree for electric generation assets serving the California market. These purchases
13 were designed to exploit the economic advantages in the natural gas market that El Paso obtained
14 through its agreements with SoCal Gas.

15 100. Three weeks after the Phoenix meeting, the then parent companies of SoCal Gas
16 and SDG&E announced their agreement to merge, resulting in the formation of Sempra Energy.
17 The parties knew that opposition to the announced merger from Tenneco/El Paso -- because of
18 their projects targeting SDG&E as a customer and the Southern California market generally --
19 would have jeopardized the planned merger. For one reason, regulators would inquire whether
20 the merger would injure competitors or potential competitors of SoCal Gas who wanted to
21 provide natural gas to SDG&E.

22 101. At the time of the Phoenix meeting, El Paso’s merger with Tenneco was still
23 under consideration by regulatory authorities. The senior representatives of SoCal Gas and
24 SDG&E at the Phoenix meeting knew of the planned (but unannounced) merger of SoCal Gas
25 and SDG&E. Based upon the companies’ long experience with each other and their extensive

1 knowledge of each other's businesses, El Paso and SoCal Gas and SDG&E knew that each other
2 could complain effectively to regulatory authorities about their merger plans and materially
3 jeopardize their chances of securing the necessary regulatory approvals. Upon information and
4 belief, one of the purposes and motives of El Paso and SoCal Gas and SDG&E in making the
5 unlawful agreements reflected in the agenda and discussions at the Phoenix meeting was to
6 secure each other's agreement not to oppose each other's merger deals and to cooperate in
7 completing their respective acquisitions. The last thing that any of the co-conspirators wanted
8 was legitimate competition.

9 **THE FRUITS OF THE CONSPIRACY**

10 102. In sum, defendants agreed to refrain from competition, not to challenge one
11 another's mergers, and to exchange reciprocal benefits designed to eliminate competition among
12 themselves and between the conspirators and outsiders.

13 (a) El Paso agreed to eliminate Tenneco's two bypass projects, one of which would
14 deliver plentiful, inexpensive Canadian gas directly to gas consumers in Southern California,
15 thus protecting SoCal Gas's dominant Southern California position and allowing SoCal Gas to
16 extend its dominance into Baja California.

17 (b) Next, El Paso agreed not to compete with the bid of SoCal Gas and SDG&E to
18 construct a Baja California pipeline, thus, depriving customers in both Baja California and
19 Southern California of the benefits of competition.

20 (c) SoCal Gas agreed to withdraw from competing with El Paso on the Samalayuca
21 pipeline extending from West Texas south into Mexico and to assist in barring new Canadian gas
22 from Southern California and enhancing the dependency of Southern California consumers on
23 natural gas transportation through the El Paso system. Additionally, the parties agreed to
24 cooperate to increase and manipulate their market power in the interstate pipeline and supply
25 markets.

1 (d) Last, defendants agreed, as reciprocity for the benefits that each had granted the
2 other, not to raise any objections to each other's major acquisition and consolidation programs.
3 All of these goals were accomplished.

4 103. Plaintiffs are informed, believe and therefore allege that soon after the meeting,
5 SoCal Gas and El Paso successfully implemented their plan to carve up the California and
6 Northern Mexico markets. The sole bidder on the pipeline to Baja California and associated
7 projects, SoCal Gas, was awarded the projects without any competing bids, thereby eliminating
8 external competition from bypass projects.

9 104. El Paso was the sole bidder on the Samalayuca Project and was awarded the
10 project without any competing bids.

11 105. Plaintiffs are informed, believe and therefore allege that El Paso carried out its
12 part of the bargain by causing its wholly-owned subsidiary Tenneco to kill the Baja California
13 and Altamont Pipeline projects and the Western Market Center projects, thereby minimizing the
14 potential of creating competition between Southwestern gas and Canadian gas, which would
15 have significantly lowered prices to Long Beach and other non-core customers.

16 106. Plaintiffs are informed, believe and therefore allege that SoCal Gas, SDG&E and
17 El Paso succeeded in linking up gas supply, gas transportation, and electric generation, and in
18 allocating California markets. Not only did defendants successfully isolate the Southern
19 California market by allocating markets, thereby preserving SoCal Gas's dominance, they also
20 eliminated the development of new pipeline capacity to make fields other than the Southwestern
21 basins accessible to Southern California consumers.

22 107. The essence of the "Team 1"/"Team 2" element of the conspiracy was twofold.

23 (a) First, by killing the Altamont project, cheap Canadian gas, which would
24 have averted some of the current energy crisis, was kept unavailable to Southern California.
25

1 (b) Second, defendants agreed to share and exploit jointly the market power
2 over Southwest gas supply markets that SoCal Gas had exercised for years. Defendants
3 recognized and sought to ensure that each company would use the leverage of such market
4 power to lock up and share between themselves the lowest cost gas supplies available on the El
5 Paso system. Upon information and belief, these supplies are located in isolated areas of the San
6 Juan Basin where pipeline capacity is constrained and producers have little leverage to seek
7 higher prices from competitive purchasers.

8 108. Such areas of constrained deliverability yield consistently low prices and
9 constitute a sort of gas bank that can be used by gas “merchants” to limit market risk when
10 margins or “spreads” between supply and consuming markets are narrow, and to obtain
11 supracompetitive profits when such margins are high.

12 109. Plaintiffs are informed and believe and therefore allege that SoCal Gas and El
13 Paso have continued to the present to work consistently (1) to preserve capacity constraints in
14 areas where producers have little bargaining leverage; (2) to ensure that each company or its
15 merchant affiliates have preferential pipeline access to such constrained areas in order to ensure
16 their access to low cost supplies; (3) to allocate between themselves high value gas sales
17 opportunities such as the Samalayuca and Rosarito electric generation supplies; and (4) to create
18 high margin electric sales opportunities made available by California’s electric restructuring.

19 110. One such effort to bring this scheme to fruition was through a contract negotiated
20 in 1998 between El Paso and Natural Gas Clearinghouse (now named Dynegy). In this
21 transaction, El Paso offered for sale some 1.3 Bcf/d of firm capacity on El Paso’s pipeline
22 (approximately 40% of its total capacity) for a two year period commencing January 1, 1998 and
23 ending December 31, 1999. Upon information and belief, El Paso offered that capacity in a
24 block to make certain that no company other than Dynegy was prepared to bid on the entire
25 block of capacity and structured the bids to achieve that objective. Upon information and belief,

1 this agreement was intended by Dynegy and El Paso to increase the spread or differential
2 between spot or “index” prices in the San Juan Basin and spot or “index” prices at the Southern
3 California border. The large block of capacity that El Paso sold to Dynegy gave Dynegy market
4 power to restrict pipeline capacity and to lower total volumes of gas delivered to the market, thus
5 raising prices. SoCal Gas benefited from and ratified this agreement.

6 111. In order to position itself to profit from the conspiracy, El Paso Merchant entered
7 into a transaction in which El Paso Merchant purchased California-based generation assets (also
8 called “qualifying facilities” or “QF’s”). These QF’s were particularly attractive to El Paso
9 Merchant as a party with market power sufficient to increase Southern California border prices
10 and with preferential access to low cost supply. Under the price formulas applicable to
11 wholesale electric sales from such QF’s, the seller of electricity would receive a price involving a
12 guaranteed markup or passthrough of its natural gas costs, which are determined by prices at the
13 California/Arizona border.

14 112. In addition, under the rules of California’s electricity industry restructuring, such
15 QF’s are “must run” facilities that sell a very high percentage of their maximum capacity on a
16 daily basis. With such a guaranteed passthrough in place, if the operator of the QF -- El Paso --
17 is a company with the market power to raise border prices by eliminating competition from new
18 pipelines and increase price spreads between the supply markets and the border markets, such
19 increased spreads are pure, riskless profits. In addition, plaintiffs are informed and believe and
20 therefore allege that the electric sales of certain other QF’s acquired by El Paso Merchant that
21 use geothermal power and have no gas costs at all have also received higher prices based on a
22 price formula tied to border prices of natural gas.

23 113. Plaintiffs are informed and believe and therefore allege that the El Paso
24 defendants, with the consent and agreement of SoCal Gas, formulated and executed their
25 Dynegy transaction and QF acquisitions in accordance with the parties’ agreement at the

1 Phoenix meeting to “link up supply, transportation, generation and sale of electricity” and to
2 “think/plan position now to be ready when the opportunity comes.”

3 114. The defendants’ conspiracy has had a catastrophic effect on Plymouth West,
4 Long Beach Brethren Manor and Robert Lamont and other members of the subject class that are
5 ratepayers of Long Beach. They have seen their gas bills go up 300 to 400 percent just in the last
6 few months. Seniors living on fixed incomes have been especially harmed. Businesses
7 operating in Long Beach are faced with the gas prices so high that a number of them are
8 threatened with going out of business. Retirement homes, restaurants, laundromats and dry
9 cleaners are especially hard hit. Some dry cleaning establishments have had to impose an
10 “energy surcharge” on their customers to pay for the higher gas prices. They are threatened with
11 loss of business because customers can easily avoid these surcharges by simply going to their
12 competitors outside the Long Beach city limits. Most residents have cut back on their use of gas
13 in the cold months. They complain of having cold homes. Some have had to make the terrible
14 choice of keeping warm or purchasing needed medication. Some residents report health
15 problems such as an arthritic condition as a result of turning off their heaters. Cold showers are
16 increasingly the norm. The gas prices have had a crippling effect on the economy as residents
17 lay off service people such as gardeners and house cleaners in order to keep warm. Thus their
18 very livelihood is threatened for some Long Beach residents.

19 115. Long Beach itself is damaged by the exorbitant gas prices. The City owns and
20 operates the Long Beach Port, the Long Beach Water Treatment Plant, the Long Beach Civic
21 Center and Convention Center complexes, City Hall, 24 fire stations and 2 satellite facilities, 4
22 police stations, 7 police department satellite facilities, 39 community recreation centers and sport
23 facilities, 13 libraries and museums, more than 90 public schools and other city facilities, all of
24 which use natural gas in their daily operations. It has had to grant a 25 percent rate relief to the
25 low income disabled and low income senior citizens even though this means selling gas below

1 cost. In addition, the rates Long Beach gas utility passes on to its ratepayers are much higher
2 than those that SoCal Gas's customers pay, because SoCal Gas is buying gas on long-term
3 contracts at prices lower than current spot prices.

4 116. In short, California's current "energy crisis," the threatened bankruptcies of
5 California public utilities, the potential destruction of the world's sixth largest economy, and the
6 gouging of California natural gas consumers are the direct result of the illegal anticompetitive
7 acts and conspiracy of these corporate defendants in violation of their public trust.

8 **PLAINTIFFS' AWARENESS OF THE CONSPIRACY AND THE CONTINUING**
9 **EFFECTS OF THE CONSPIRACY**

10 117. Plaintiffs were unaware of the conspiracy and could not have uncovered it earlier
11 by the exercise of due diligence because it was concealed by defendants, *inter alia*, by meeting
12 secretly in Phoenix and not disclosing either the fact of the meeting or the notes of that meeting.
13 Although Plaintiffs were aware of the recent run-up in spot gas prices at the California/Arizona
14 border beginning the summer of 2000, Plaintiffs did not know and could not reasonably be
15 expected to know that this run-up in prices was a direct effect of defendants' conspiracy.

16 118. The City became aware of the possible existence of the conspiracy when Robert
17 E. Shannon, the City Attorney for Long Beach, read an article entitled "Suit Claims Firms
18 Limited Gas Supply to Raise Gas Prices," which was published in the *Los Angeles Times* on
19 Sunday, February 4, 2001. That article described some of the facts suggesting the existence of
20 the conspiracy. Several days later, Long Beach was able to review the complaint filed in
21 *Continental Forge Co. v Southern California Gas Co., et al.*, BC 237336, talk to Plaintiffs'
22 attorneys in that case and review the evidence.

23 119. Plaintiffs are informed and believe and therefore allege that since September
24 1996, defendants have engaged in acts and practices between and among themselves, as well as
25 with third parties, designed to carry out the agreements reached at the Phoenix meeting. The

1 effects of these acts in furtherance of the conspiracy continue to the present day as defendants
2 reap illicit and exorbitant profits at the expense of California consumers.

3 **FIRST CAUSE OF ACTION**

4 (Division of Markets in Violation of the Cartwright Act [Cal. Bus. & Prof. Code Section 16700 *et seq.*] Against All
5 Defendants)

6 120. Plaintiffs incorporate by reference paragraphs 1 through 119, inclusive, of this
7 complaint as if fully set forth.

8 121. At all relevant times, all defendants, and each of them, violated the Cartwright
9 Act, (the “Act”), Business & Professions Code 16700 *et seq.*, in that defendants, and each of
10 them, have been engaged in a combination and conspiracy and effect to divide the market for
11 natural gas with the purpose of substantially reducing SoCal Gas’s competition in Southern
12 California. The conspiracy has had the effect of increasing gas prices at the California/Arizona
13 border and generally throughout Southern California, including Long Beach. The combination
14 and conspiracy is per se illegal under the Act. The culmination of this illicit activity was the
15 Phoenix meeting and the explicit agreements arrived at there, and subsequent agreements and
16 actions to carry out the agreements at the meeting. As part of the aforesaid combination and
17 conspiracy, the defendants have agreed and have implemented, *inter alia*, the following acts and
18 practices to divide markets among themselves:

19 (a) the illicit agreement between El Paso and SoCal Gas entities to hinder or
20 prevent expansion of the competitive Kern River Pipeline and the potential competition that it
21 would generate in Southern California;

22 (b) the illicit agreement between El Paso and SoCal Gas entities to eliminate
23 the Altamont Pipeline and Western Market Center which was designed to provide natural gas
24 merchant services in competition with Sempra;
25

1 (c) refraining from competition with respect to the Samalayuca II and
2 Rosarito pipeline projects;

3 (d) agreeing to refrain from competition that might have caused regulators to
4 question the Sempra and Tenneco acquisitions;

5 (e) “carving up” rights to transportation and natural gas business opportunities
6 in Baja California, thereby preventing the development of competitive pipeline projects that
7 would have created competition within Southern California;

8 (f) limiting the supply of low cost Canadian gas to the Southern California
9 market by dividing the state into “zones,”

10 (g) preventing expansion of new interstate pipeline capacity to Southern
11 California by illicit agreements and boycotts, and

12 122. As a result of these agreements to divide markets, Plaintiffs have been directly
13 injured because of the increased prices that they have had to pay for gas.

14 123. These increased gas prices directly resulted from defendants’ illegal actions and
15 practices.

16 124. As a direct result of the unlawful action of defendants, and each of them Plaintiffs
17 were injured in their business or property, all of which injuries have caused and continue to
18 cause Plaintiffs in a sum in excess of the jurisdictional limits of this Court, according to proof.
19 The estimated damages, before trebling, run into the millions of dollars.

20 125. As a further direct result of the acts of defendants, and each of them, Plaintiffs
21 were required to act in the protection of their interests by filing this action, and incurred
22 attorneys’ fees, and other expenditures in a sum to be proven at trial according to proof.

23 126. Pursuant to Business & Professions Code Section 16750, Plaintiffs are authorized
24 to recover three times the damages sustained by such Plaintiffs, plus interest on such actual
25 damages and reasonable attorneys’ fees, together with costs of suit.

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127. Plaintiffs incorporate by reference paragraphs 1 through 126, inclusive, of this complaint as if fully set forth.

129. The actions of the defendants, and each of them, constitute prohibited restraints on competition within the meaning of California Business & Professions Code Section 16720(a) in that the conduct alleged unreasonably restrained trade or commerce.

131. The actions of the defendants, and each of them, violated Business & Professions Code Section 16720(c) because the defendants used their market dominance to raise barriers to entry and to crush competition in the transportation, sale, or purchase of natural gas and natural gas transportation to Long Beach and its ratepayers and others including, without limitation, boycotting various proposed bypass pipelines.

1 132. The actions of the defendants, and each of them, violated Business & Professions
2 Code Section 16720(e)(3) in that defendants combined and/or conspired to elevate the price of
3 natural gas and natural gas transportation services in a manner that directly or indirectly has
4 precluded and restricted competition in the purchase, sale, and transportation of natural gas to the
5 detriment of Long Beach, the members of the class who are its ratepayers and others.

6 133. The actions of the defendants, and each of the m, violated Business & Professions
7 Code Section 16720(e)(4) in that defendants agreed illegally to pool or combine, directly or
8 indirectly, to unite their interests in the purchase, transportation, and sale of natural gas and
9 natural gas transportation contrary to the interests of Long Beach, Plymouth West, Long Beach
10 Brethren Manor and Robert Lamont and other class members who are customers of the Long
11 Beach gas utility and others, resulting in the inflation of gas prices to them.

12 134. The specific actions of the defendants, and each of them, that constituted
13 prohibited conduct under Business & Professions Code Section 16270 include, without
14 limitation:

15 (a) the illicit agreement between El Paso and SoCal Gas entities to hinder or
16 prevent expansion of the competitive Kern River Pipeline and the potential competition that it
17 would generate in Southern California;

18 (b) the illicit agreement between El Paso and SoCal Gas entities to eliminate
19 the Altamont Pipeline and Western Market Center which was designed to provide natural gas
20 merchant services in competition with Sempra;

21 (c) refraining from competition with respect to the Samalayuca II and
22 Rosarito pipeline projects;

23 (d) agreeing to refrain from competition that might have caused regulators to
24 question the Sempra and Tenneco acquisitions;

1 (e) “carving up” rights to transportation and natural gas business opportunities
2 in Baja California, thereby preventing the development of competitive pipeline projects that
3 would have created competition within Southern California;

4 (f) limiting the supply of low cost Canadian gas to the Southern California
5 market by dividing the state into “zones,”

6 (g) preventing expansion of new interstate pipeline capacity to Southern
7 California by illicit agreements and boycotts, and

8 (h) refusal by SoCal Gas to sell gas to Long Beach except on long term
9 contracts at prices that, until recently, were above the spot price of gas at the California/Arizona
10 border.

11 135. As a direct and legal result of the unlawful action of defendants, and each of
12 them, Plaintiffs were injured in their business or property, all of which injuries have caused and
13 continue to cause Plaintiffs in a sum in excess of the jurisdictional limits of this Court, according
14 to proof. The estimated damages, before trebling, run into the millions of dollars.

15 136. As a further direct result of the acts of defendants, and each of them, Plaintiffs
16 were required to act in the protection of their interests by filing this action, and incurred
17 attorneys’ fees, and other expenditures in a sum to be proven at trial according to proof.

18 137. Pursuant to Business & Professions Code Section 16750, Plaintiffs are authorized
19 to recover three times the damages sustained by such Plaintiffs, plus interest on such actual
20 damages and reasonable attorneys’ fees, together with costs of suit.

21 **THIRD CAUSE OF ACTION**

22 (Conspiracy to Monopolize in Violation of the Cartwright Act [Cal. Bus. & Prof. Code Section 16720 *et seq.*])

23 Against All Defendants)

24 138. Plaintiffs incorporate by reference paragraphs 1 through 137 of this Complaint as
25 if fully set forth.

1 139. The above-described conduct of SoCal Gas, SDG&E, Sempra and El Paso
2 constitutes a combination and conspiracy to monopolize the relevant market for the sale and
3 transportation of natural gas in violation of California Business & Professions Code Section
4 16720(a) in that the conduct alleged created or carried out restrictions in trade or commerce.

5 140. Defendants designed and implemented their combination and conspiracy with the
6 specific intent to monopolize the relevant market and committed overt acts and engaged in
7 concerted action in furtherance of their combination and conspiracy to monopolize, as described
8 above, including but not limited to boycotting potential bypass pipelines, killing expansion of the
9 Kern River Pipeline and the construction of the Western Market Center and the Altamont
10 Pipeline project, refraining from competing on Mexican pipeline projects, and making certain the
11 competitive low-cost gas would not be available in Southern California.

12 141. Defendants had market power to create a monopoly as described above and
13 conspired to do so.

14 142. There is and was a dangerous probability of success of achieving monopoly
15 power in the relevant market. Defendants did achieve monopoly power in the relevant market.

16 143. There were significant barriers to entry to prevent new companies from
17 threatening their monopoly power.

18 144. As a direct and legal result of the unlawful actions of defendants, and each of
19 them, Plaintiffs were injured in their business or property, all of which injuries have caused and
20 continue to cause Plaintiffs damage in a sum in excess of the jurisdictional limits of this Court,
21 according to proof. The estimated damages, before trebling, run into millions of dollars.

22 145. As a further direct result of the acts of defendants, and each of them, Plaintiffs
23 were required to act in the protection of their interests by filing this action, and incurred
24 attorneys' fees and other expenditures in a sum to be proven at trial according to proof.
25

1 146. Pursuant to Business & Professions Code Section 16750, Plaintiffs are authorized
2 to recover three times the damages sustained by such Plaintiffs, plus interest on such actual
3 damages and reasonable attorneys' fees, together with costs of suit.

4 **FOURTH CAUSE OF ACTION**

5 (Unfair Competition and Unlawful Business Practice [Cal. Bus. & Prof. Code Section 17200 *et seq.*] Against All
6 Defendants)

7 147. Plaintiffs incorporate by reference paragraphs 1 through 146 of this Complaint as
8 if fully set forth.

9 148. This claim is brought in the name of the People of the State of California,
10 pursuant to Business & Professions Code Section 17204.

11 149. The District Attorney for the County of Los Angeles has given his consent to the
12 City Attorney for the City of Long Beach to bring this claim under California Business &
13 Professions Code Section 17200 *et seq.* on behalf of the People of the State. The City Attorney
14 for the City of Long Beach has standing to assert this claim under California Business &
15 Professions Code Section 17204 on behalf of the People of the State of California.

16 150. Defendants' violation of the Cartwright Act, Business & Professions Code
17 Section 16720, *et seq.*, by engaging in acts and practices that constitute anti-competitive
18 practices as described more fully in the First Cause of Action, the Second Cause of Action, and
19 the Third Cause of Action also violate the proscription against engaging in unlawful business
20 acts and purposes, as set forth in Business & Professions Code, Sections 17200 *et seq.*.

21 151. The acts and practices of defendants, as alleged herein, constitute unlawful,
22 unfair, or fraudulent business practices in violation of California Business & Professions Code,
23 Section 17200 *et seq.*, in that their conduct is immoral, unscrupulous or offends public policy,
24 and the gravity of the conduct detailed in the complaint outweighs any benefits attributable to
25 such conduct.

1 152. The acts and practices of defendants as alleged herein also constitute unfair
2 business acts and practices within the meaning of Business & Professions Code 17200 *et seq.*, in
3 that defendants' conduct threatens an incipient violation of an antitrust law, or violates the policy
4 or spirit of one of those laws because its effects are comparable to or the same as violations of
5 the law, or otherwise significantly threatens or harms competition.

6 153. Plaintiffs are informed and believe and thereon allege that the actions of the
7 defendants, and each of them, as alleged herein was intended to destroy competition within the
8 natural gas industry in Southern California including, without limitation, Long Beach's gas
9 utility.

10 154. The actions of the defendants, and each of them, in violation of the Cartwright
11 Act as alleged herein significantly harmed competition in the natural gas industry in Southern
12 California.

13 155. These wrongful acts have proximately caused and will continue to cause Long
14 Beach substantial injury, including, but not limited to, the payment of artificially inflated prices
15 for natural gas.

16 156. The People seek an order from the Court for the payment of civil penalties in the
17 sum of \$2,500 for each act by defendants, and each of them, in violation of Business &
18 Professions Code Section 17200, in accordance with Business & Professions Code Section
19 17206.

20 157. As a further and direct legal result of the acts of defendants, and each of them, the
21 City Attorney of Long Beach was required to act in the protection of the interests of the People
22 of the State of California by filing this action, and incurred attorneys' fees, and other
23 expenditures in a sum to be proved at trial according to proof.
24
25

1 WHEREFORE Plaintiffs City of Long Beach, the People of the State of California,
2 Plymouth West, Long Beach Brethren Manor and Robert Lamont and other class
3 members pray for judgment against all defendants, and each of them, as follows:

4 1. On the First Cause of Action:

- 5 (a) For general damages, trebled, in a sum according to proof;
6 (b) For special damages, including, but not limited to, attorneys' fees, and
7 other expenditures incurred in prosecuting this action;

8 2. On the Second Cause of Action:

- 9 (a) For general damages, trebled, in a sum according to proof;
10 (b) For special damages, including, but not limited to, attorneys' fees, and
11 other expenditures incurred in prosecuting this action;

12 3. On the Third Cause of Action:

- 13 (a) For general damages, trebled, in a sum according to proof;
14 (b) For special damages, including, but not limited to, attorneys' fees, and
15 other expenditures incurred in prosecuting this action;

16 4. On the Fourth Cause of Action:

- 17 (a) A preliminary and permanent injunction against defendants, and each of
18 them restraining, preventing and enjoining defendants and each of them, and
19 their respective successors, agents, servants, officers, directors, employees,
20 and all persons acting in concert with them directly or indirectly from
21 engaging in the unfair and lawful actions as alleged herein. In particular,
22 enjoining defendants, and each of them, from (i) engaging in any further
23 action to eliminate competition in California in gas and gas transportation; (ii)
24 engaging in any further action to discourage bypass pipeline construction in
25 California;

- 1 (b) For declaratory relief in accordance with Business & Professions Code
2 Section 17203, declaring that defendants have engaged in unlawful, unfair,
3 and fraudulent business acts and practices in violation of Business &
4 Professions Code Section 17200, *et seq.*
- 5 (c) For civil penalties, in the sum of \$2,500 for each violation of Business &
6 Professions Code Section 17206;
- 7 (d) For restitution, including an order requiring defendants, and each of them,
8 to disgorge all monies that were fraudulently obtained by defendants, as
9 alleged herein; and
- 10 (e) For interest on the amount of monies required to be disgorged at the legal
11 rate; and
- 12 (f) For attorneys' fees.
- 13 5. For attorneys' fees incurred to obtain the relief;
- 14 6. For all costs of suit incurred;
- 15 7. For pre-judgment interest; and
- 16 8. For such other and further relief as this Court deems just and proper.

17 DATED: March 20, 2001

18 ROBERT E. SHANNON
19 CITY ATTORNEY
CITY OF LONG BEACH

20 M. BRIAN MCMAHON
21 THE LAW OFFICES OF M. BRIAN MCMAHON

22 O'DONNELL & SHAEFFER
23 PIERCE O'DONNELL
CAROLE E. HANDLER

24 BY: Robert E. Shannon
ROBERT E. SHANNON

25 BY: M. Brian McMahon

1 M. BRIAN MCMAHON

2
3 Attorneys for Plaintiffs
4 THE CITY OF LONG BEACH, THE PEOPLE OF THE
5 STATE OF CALIFORNIA, PLYMOUTH MANOR,
6 LONG BEACH BRETHREN MANOR AND ROBERT
7 LAMONT, ON BEHALF OF THEMSELVES AND ALL
8 OTHERS SIMILARLY SITUATED.
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DEMAND FOR JURY TRIAL

Plaintiff and the Plaintiff Class as alleged, hereby demand trial by jury for all causes of action, claims, or issues in this action which are triable as a matter of right to a jury.

DATED: March 20, 2001

ROBERT E. SHANNON
CITY ATTORNEY
CITY OF LONG BEACH

M. BRIAN MCMAHON
THE LAW OFFICES OF M. BRIAN MCMAHON

O'DONNELL & SHAEFFER
PIERCE O'DONNELL
CAROLE E. HANDLER

BY: Robert E. Shannon
ROBERT E. SHANNON

BY: M. Brian McMahon
M. BRIAN MCMAHON

Attorneys for Plaintiffs
THE CITY OF LONG BEACH, THE PEOPLE OF THE
STATE OF CALIFORNIA, PLYMOUTH MANOR,
LONG BEACH BRETHERN MANOR AND ROBERT
LAMONT, ON BEHALF OF THEMSELVES AND ALL
OTHERS SIMILARLY SITUATED.

EL PASO - SOCALGAS - SDG&E MEETING

Embassy Suites
2333 E. Thomas Rd., Rm. 431
Phoenix, AZ
602-957-1910

DRAFT

September 25, 1996

CC: ROB
PAS
JRM-C
RGM-C
JWS-C
JRCunningham
ORIS: JWS

AGENDA

- Discussion of Service to Samalayuca Generating Plant
- Discussion of Joint Venture/Alliance for Distribution Service in Northern Mexico
- Discussion of Potential Tenneco Asset Realignment with PEI
- Discussion of Opportunities Resulting from Electric Industry Restructuring

Attendees

EE/SoCalGas

Lad Lorenz
Steve Miller
Warren Mitchell
John Peterson
Lee Stewart

SDG&E

Don Felsinger
Ed Guiles
George Liparidis

El Paso

Rick Baish
Al Clark
John Cunningham
Jerry Strange

LF:GMM
P:GMM
A:WELP/CAGND

EP SUP2 016997

EXHIBIT B

Interest

no US

but MEXICO

no operation

MORE FROM utility RETURN

NOT MULTISCORE US D/L

~~off~~

Confidentiality by Monday

Peterson / L. Richards } to negotiate
CLARK / El Paso }

1

Team 1

SW producers

El Paso

SoCal Gas

SoCal Electricity Gen

Team 2

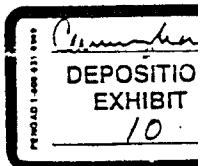
Canadian

PST

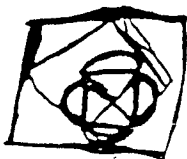
Dave

No Calif elec Gen

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3 PITCO



~~Clark~~

~~Clark~~

(A) Will SoCal bid on Sam RFP?
not sure probably not

Is interested in providing released
capacity to CFE

who is doing the transportation & supply?

Demex or CFE

Where is Demex?

John Peterson → Argentina

Did not know about requirement of access
to all 3 basins

Interested in Sam only as ~~joint~~ ~~with~~ ~~SoCal~~
to Chihuahua distribution RFP

(B) Joint ownership of electric generation

link-up [→] supply, [→] transportation, generation,
sale of electricity

think/plan position now to be ready
when opportunity comes

③ TRANS COLORADO
only on volumetric basis

④ Lost EP letter on Tenorio settlement
5-6 Sept